



***United States Attorney
Southern District of New York***

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**FORMER CHIEF OF STAFF AND STAFFER FOR NEW YORK CITY
COUNCIL MEMBER PLEAD GUILTY TO EMBEZZLING
CITY COUNCIL DISCRETIONARY FUNDS**

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, and ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation ("DOI"), announced today that ASQUITH REID, former Chief of Staff for a New York City Council member, and JOYCINTH ANDERSON, a/k/a "Sue," a former staffer for that Council member, pleaded guilty in Manhattan federal court earlier today to embezzling New York City Council discretionary funds. REID also entered a plea of guilty to witness tampering in connection with the investigation.

According to Count One of the Superseding Indictment, to which both defendants pleaded guilty, and Count Four, to which REID pleaded guilty, as well as statements made during today's plea proceedings before United States Magistrate Judge HENRY B. PITMAN:

Discretionary Funds and "Holding Codes"

Since at least 2003, the New York City Council has annually allocated millions of dollars in so-called "discretionary funds" to various non-profit organizations. Each Council member controlled a share of the discretionary funds and selected non-profit organizations of his or her choice to receive such funds. Once selected by a Council member to receive discretionary funds, the non-profit was required to apply through

an intermediary, often a New York City agency, for actual disbursement of the funds. Non-profits receiving discretionary funds are identified in Schedule C to the New York City budget.

In addition to non-profit organizations selected in time to be listed in the City budget, since at least 2003, millions of dollars of additional discretionary funds have been allocated to so-called "holding codes" that were recorded in the budget under the names of fictitious non-profits. After the budget was passed, the funds held under the fictitious names were also distributed to various non-profits associated with various Council members.

The Embezzlements

From approximately April 2005 through April 2008, REID served as the Chief of Staff to a New York City Council member (the "Council Member"). REID also was the contact person for the Council Member's requests for discretionary funds. In 2004, the Council Member designated the Donna Reid Memorial Education Fund, a non-profit organization located in REID's residence, to receive discretionary funds. However, when the Donna Reid Fund applied to the New York City Department for the Aging for disbursement of the funds, its application was denied because of the patent conflict of interest with REID. The Donna Reid Fund nevertheless reapplied later in 2004 to a different agency, the New York City Department of Youth and Community Development, which approved the application and which has since disbursed approximately \$356,000 in discretionary funds to the Donna Reid Fund. Moreover, in 2007, the City Council's Division of Finance directed that an additional \$14,000 in "holding code" discretionary funds be given to the Donna Reid Fund. REID, ANDERSON, and other associates of REID's embezzled approximately \$145,000 of these funds via Donna Reid Fund checks issued to co-conspirators; wire transfers to individuals, including REID's family and friends, in Jamaica; and payment of political club and campaign expenses for the Council Member for whom he worked. Moreover, during the investigation of this matter, REID directed a witness who had received a grand jury subpoena to lie to this Office about working for the Donna Reid Fund and about financial transactions the witness had had with REID.

In addition to the Donna Reid Fund, in 2003, the Council Member allocated discretionary funding to another non-profit based in REID's residence, the "Community Opportunity and Resource Development" ("CORD"). ANDERSON was listed as a paid "consultant" to CORD. In 2004, CORD thereby received approximately \$14,500 via a non-profit that served as a conduit

for discretionary funds from the City Council. CORD's financial records show that REID withdrew \$10,000 in cash from its account approximately one week following the initial disbursement of \$12,200 in discretionary funds. Likewise, in 2006 another non-profit based at REID's residence, "Central Brooklyn Community Services" ("CBCS"), for which ANDERSON was purportedly a "consultant" and which had been designated by the Council Member to receive discretionary funding, received \$35,000 in Council discretionary funding via the New York City Department of Youth and Community Development, as well as approximately \$11,000 from other sources. From about June 2006 to November 2006, REID withdrew approximately \$12,000 in cash from the CBCS bank account.

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REID pleaded guilty to one count of mail fraud conspiracy (Count One) and one count of witness tampering (Count Four). REID faces a maximum sentence of twenty years in prison on the mail fraud conspiracy charge, and a maximum sentence of twenty years in prison on the witness tampering charge. ANDERSON pleaded guilty to one count of mail fraud conspiracy (Count One) and faces a maximum sentence of twenty years in prison. Both REID and ANDERSON are also subject to mandatory restitution.

REID is scheduled to be sentenced by District Judge VICTOR MARRERO on October 2, 2009, at 3:30 p.m. ANDERSON is scheduled to be sentenced by Judge MARRERO on October 2, 2009, at 3:00 p.m.

Mr. DASSIN praised the investigative work of DOI.

"Asquith Reid and Joycynth Anderson took advantage of a flawed system for the distribution of New York City taxpayer funds to line their pockets with money that should have gone to benefit the community," said Acting United States Attorney LEV L. DASSIN. "This Office will continue to work closely with DOI and other law enforcement partners to scrutinize allocations of taxpayer funds most vulnerable to abuse."

"Two corrupt staffers exploited the City Council's shadowy budget process to take tens of thousands of dollars of taxpayers' money for themselves, friends and relatives. They pretended that the money was going to legitimate not-for-profit organizations to help young people in their community, but in reality they controlled the organizations and used them to embezzle public money," said DOI Commissioner ROSE GILL HEARN. "Just as disturbing is that approximately \$14,000 was allocated

to the Donna Reid Fund through fictitious non-profits. These guilty pleas mark a major step forward in our joint effort with the U.S. Attorney's Office for the Southern District of New York to expose the misappropriation of City funds and hold the responsible individuals accountable."

The prosecution is being handled by the Office's Public Corruption Unit. Assistant United States Attorneys KATHERINE LEMIRE and RUA KELLY are in charge of the prosecution.

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